

Open Book Management: Team Pricing, Part 1

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To partially fulfill my promise to write more on Open Book Management, in the next two articles I would like to share Kids First Sports Center's Open Book approach to pricing team tuition. Part 1 will make the argument in favor of; Part 2 will supply the method. I am keenly aware that many gym club owners are fearful of sharing information as openly as we do. I want you to know, what I am about to tell you has offered only positive results for our company. If there is any downside, it is that conceiving and setting up the document template took a lot of hours*. But, oh, the benefits: (a) we do not lose money on team; (b) in 15 years I have not had to explain or defend the high cost of team participation to anyone. This is yet another example of the validity of the axiom that grounds our open book philosophy, "reasonable people, given the same information, will come to the same conclusion."

Pricing team undoubtedly has unique dynamics, far different than pricing classes. Allow me to weave the logic that drives the method. The following is a vertical argument, so please take time to assimilate each point before moving on.

I treat the following as facts of life

and you should too:

1. The expenses of operating a team are greater than what parents realize, therefore, sticker shock is inevitable and prices are likely perceived as unreasonable.
2. Any successful pricing strategy requires that the public view prices as reasonable (your product provides value for the dollars requested).
3. Point #1 and #2 are in direct conflict with each other and will remain so unless new thinking intervenes.
4. New thinking requires new information.
5. You are the only party in a position to supply the new information.
6. The new information you need to supply is: (a) objectively make the costs of operating team known to your parents while at the same time (b) unobjectively raise the perceived value of team participation by marketing the wonderful benefits of team participation.
7. Fail to share this new information and you will continue to have whatever conflicts you have always had.
8. Get smart and share the information!

A second argument coming to the same conclusion:

1. When a gym club truly breaks even on its team*, the profit from a

reasonably strong class base should offer a healthy overall company profit. (Not always true for top heavy, team oriented programs but generally true for most models including Kids First.)

2. When presented objectively, most parents will easily agree to the following statement: "Moms, Dads, we do not strive to make money on your child but we cannot stay in business when we lose money."
3. Now simply, objectively, offer up the data and (figuratively) allow them to calculate what team tuition needs to be for you to stay in business. The parents may not like the number they see but they will understand it. Now, mix in skillful marketing and you have a good chance of them accepting it!

* Caution: it is easy to miscalculate your true break-even. I have heard countless gym club owners claim to break-even on team yet after further questioning I find they are breaking even on coaches' wages but failing to fully capture overhead, a potentially huge mistake. To make my point, at Kids First, coaches' wages and overhead per athlete per hour are near equal; you can see how far under budget we would be if we failed to fully capture overhead. Part 2 will give you detail on the method. Until then, make it great month! Jeff Metzger ✕